



Encana Corporation

Non-GAAP Definitions and Reconciliations
(unaudited)

For the period ended December 31, 2017

(U.S. Dollars)

For the period ended December 31, 2017
(US\$ millions, except per share amounts or as indicated)

Non-GAAP Cash Flow, Non-GAAP Cash Flow Per Share (CFPS), Free Cash Flow and Non-GAAP Cash Flow Margin – Non-GAAP Cash Flow is defined as cash from (used in) operating activities excluding net change in other assets and liabilities, net change in non-cash working capital and current tax on sale of assets. Non-GAAP CFPS is Non-GAAP Cash Flow divided by the weighted average number of common shares outstanding. Free Cash Flow is defined as Non-GAAP Cash Flow in excess of capital expenditures, excluding net acquisitions and divestitures. Non-GAAP Cash Flow Margin is Non-GAAP Cash Flow per BOE of production. Management believes these measures are useful to the company and its investors as a measure of operating and financial performance across periods and against other companies in the industry, and are an indication of the company's ability to generate cash to finance capital programs, to service debt and to meet other financial obligations. These measures are used, along with other measures, in the calculation of certain performance targets for the company's management and employees.

Non-GAAP Cash Flow	Q4 2017	YTD 2017
Cash from (used in) operating activities	\$ 369	\$ 1,050
Deduct (add back):		
Net change in other assets and liabilities	(13)	(40)
Net change in non-cash working capital	(62)	(253)
Current tax on sale of assets	-	-
Non-GAAP Cash Flow	\$ 444	\$ 1,343
Per share diluted	\$ 0.46	\$ 1.38

Free Cash Flow		
Non-GAAP Cash Flow	\$ 444	\$ 1,343
Less:		
Capital Expenditures	509	1,796
Free Cash Flow	\$ (65)	\$ (453)

Non-GAAP Cash Flow Margin ⁽¹⁾		
Non-GAAP Cash Flow	\$ 444	\$ 1,343
Divided by:		
Production Volumes (MMBOE)	30.8	114.3
Non-GAAP Cash Flow Margin (\$/BOE)	\$ 14.40	\$ 11.75

⁽¹⁾ Non-GAAP Cash Flow Margin was previously presented as Corporate Margin.

Non-GAAP Operating Earnings (Loss) – is defined as Net Earnings (Loss) excluding non-recurring or non-cash items that management believes reduces the comparability of the company's financial performance between periods. These items may include, but are not limited to, unrealized gains/losses on risk management, impairments, restructuring charges, non-operating foreign exchange gains/losses, gains/losses on divestitures and gains on debt retirement. Income taxes may include valuation allowances and the provision related to the pre-tax items listed, as well as income taxes related to divestitures and U.S. tax reform, and adjustments to normalize the effect of income taxes calculated using the estimated annual effective income tax rate.

Non-GAAP Operating Earnings (Loss)	Q4 2017	YTD 2017
Net earnings (loss)	\$ (229)	\$ 827
Before-tax (addition) deduction:		
Unrealized gain (loss) on risk management	46	442
Non-operating foreign exchange gain (loss)	(19)	281
Gain (loss) on divestitures	(1)	404
	26	1,127
Income tax	(369)	(722)
After-tax (Addition) Deduction	(343)	405
Non-GAAP Operating Earnings (Loss)	\$ 114	\$ 422
Per share diluted	\$ 0.12	\$ 0.43

Debt to Capitalization – Debt is defined as long-term debt, including the current portion. Capitalization includes debt and total shareholders equity. Debt to Capitalization is a non-GAAP measure monitored by management as an indicator of the company's overall financial strength.

Debt to Capitalization	YTD 2017
Long-term debt, including current portion	\$ 4,197
Total shareholders' equity	6,728
Capitalization	\$ 10,925
Debt to Capitalization	38%

Debt to Adjusted Capitalization – Debt to Adjusted Capitalization is a proxy for Encana's financial covenant under the Company's credit facilities which require debt to adjusted capitalization to be less than 60 percent. Adjusted Capitalization includes debt, total shareholders' equity and an equity adjustment for cumulative historical ceiling test impairments recorded as at December 31, 2011 in conjunction with the Company's January 1, 2012 adoption of U.S. GAAP.

Debt to Adjusted Capitalization	YTD 2017
Long-term debt, including current portion	\$ 4,197
Total shareholders' equity	6,728
Equity adjustment for impairments at December 31, 2011	7,746
Adjusted Capitalization	\$ 18,671
Debt to Adjusted Capitalization	22%

Net Debt, Adjusted EBITDA and Net Debt to Adjusted EBITDA – Net Debt is defined as long-term debt, including the current portion, less cash and cash equivalents. Adjusted EBITDA is defined as trailing 12-month net earnings (loss) before income taxes, DD&A, impairments, accretion of asset retirement obligation, interest, unrealized gains/losses on risk management, foreign exchange gains/losses, gains/losses on divestitures and other gains/losses. Net Debt to Adjusted EBITDA is a non-GAAP measure monitored by management as an indicator of the company's overall financial strength and as a measure considered comparable to peers in the industry.

Net Debt	YTD 2017
Long-term debt, including current portion	\$ 4,197
Less:	
Cash and cash equivalents	719
Net Debt	\$ 3,478

	YTD 2017
Net Debt	\$ 3,478
Net Earnings (Loss)	827
Add (Deduct):	
Interest	363
Income tax expense (recovery)	603
Depreciation, depletion and amortization	833
Accretion of asset retirement obligation	37
Foreign exchange gain (loss), net	(279)
Unrealized gains (losses) on risk management	(442)
Gain (loss) on divestitures, net	(404)
Other (gains) losses, net	(42)
Adjusted EBITDA	\$ 1,496
Net Debt to Adjusted EBITDA (times)	2.3

Return on Capital Employed (ROCE) – ROCE is defined as Adjusted Operating Earnings divided by Capital Employed. Adjusted Operating Earnings is defined as Non-GAAP Operating Earnings (Loss) plus after-tax interest expense. Capital Employed is defined as average debt plus average shareholders' equity

Adjusted Non-GAAP Operating Earnings (Loss)	YTD 2017
Non-GAAP Operating Earnings (Loss)	\$ 422
Plus:	
Interest expense, after-tax @ 27%	265
Adjusted Non-GAAP Operating Earnings	\$ 687

Capital Employed	YTD 2017
Average debt	\$ 4,198
Plus:	
Average Shareholders' Equity	6,427
Capital Employed	\$ 10,625

Return on Capital Employed (ROCE) 6.5%

Upstream Operating Cash Flow, excluding Risk Management – Upstream Operating Cash Flow, excluding Risk Management is a measure that adjusts the Canadian and USA Operations revenues for production, mineral and other taxes, transportation and processing expense, operating expense and the impacts of realized risk management activities. Management monitors Upstream Operating Cash Flow, excluding Risk Management as it reflects operating performance and measures the amount of cash generated from the company's upstream operations.

Upstream Operating Cash Flow, excluding Risk Management	Q4 2017	YTD 2017
Upstream Operating Cash Flow		
Canadian Operations	\$ 172	\$ 471
USA Operations	382	1,291
	\$ 554	\$ 1,762
(Add back) deduct:		
Realized Gain (Loss) on Risk Management		
Canadian Operations	\$ 16	\$ 22
USA Operations	(12)	18
	\$ 4	\$ 40
Upstream Operating Cash Flow, excluding Risk Management		
Canadian Operations	\$ 156	\$ 449
USA Operations	394	1,273
	\$ 550	\$ 1,722

Cash Costs – are defined as the summation of production, mineral and other taxes, transportation and processing expense, operating expense, administrative expense and interest expense

Cash Costs	Q4 2017	YTD 2017
Production, mineral and other taxes	\$ 32	\$ 112
Transportation and processing	228	845
Operating*	129	506
Administrative*	86	254
Interest	95	363
	\$ 570	\$ 2,080

* Includes long-term incentive costs

Corporate Costs – are defined as the summation of administrative expense and interest expense.

Corporate Costs	Q4 2017	YTD 2017
Administrative*	\$ 86	\$ 254
Interest	95	363
	\$ 181	\$ 617

* Includes long-term incentive costs

Normalized Interest – Interest expense on long-term debt, excluding one-time charges associated with the early retirement of long-term debt. Management believes Normalized Interest is a useful indicator of ongoing interest costs associated with long-term debt that is more comparable between periods as it eliminates certain one-time costs

Normalized Administrative Expense – Administrative expense excluding long-term incentive and restructuring costs. Management believes Normalized Administrative Expense is a useful indicator of ongoing controllable base administrative costs that are more comparable between periods and against other companies in the industry as it eliminates certain one-time and non-cash impacts

After-Tax Rate of Return (ATROR) – The discount rate at which the net present value of the after-tax cash flows is equal to zero. Encana uses nine percent as the discount rate for its standard investment decisions, which is intended to represent the company's long term cost of capital. For project evaluation, cost of capital includes land, drilling and completion costs (D&C), seismic, facilities and gathering. D&C costs include all capital outlay for activities related to drilling and completing the well in addition to permanent production equipment such as site compressors, separation equipment and liquid storage tanks

Corporate Return – For project evaluation, Corporate Return is defined as the project's ATROR after incorporating a burden rate per BOE to cover corporate overhead costs, such as administrative and interest expenses. Corporate Return is used by management as an internal measure of the profitability of a play.

Operating Margin/Operating Cash Flow/Operating Netback – Product revenues less costs associated with delivering the product to market, including production, mineral and other taxes, transportation and processing and operating expenses. When presented on a per BOE basis, Operating Netback is defined as indicated divided by average barrels of oil equivalent sales volumes. Operating Margin/Operating Cash Flow/Operating Netback is used by management as an internal measure of the profitability of a play(s).

Free Operating Cash Flow – Operating Cash Flow in excess of capital investment, excluding net acquisitions and divestitures.

Income Margin – Operating Margin less finding and development costs, non-well capital costs and allocated overhead costs, such as administrative and interest expenses. When presented on a per BOE basis, Income Margin is defined as indicated divided by average barrels of oil equivalent production volumes. Income Margin is used by management as an internal measure of the profitability of a play.

Development Capital – Includes drilling, completion and facility costs, but excludes land and lease, seismic, appraisal and capitalized internal costs. Capitalized internal costs include salaries, benefits and other costs directly identifiable with acquisition, exploration and development activities

Non-well Capital – All capital, excluding drilling, completions, equipment and tie-in capital.

Debt to Debt Adjusted Cash Flow (D/DACF) – A measure monitored by management as an indicator of the company's overall financial strength. DACF is defined as Non-GAAP Cash Flow on a trailing 12-month basis excluding interest expense before tax.

Netback Calculation

Netback is a common metric used in the oil and gas industry to measure operating performance on a per-unit basis and is considered a non-GAAP measure. The netbacks disclosed below do not meet the requirements outlined in National Instrument 51-101 and have been calculated on a BOE basis using product revenues, excluding the impact of realized gains and losses on risk management, less costs associated with delivering the product to market, including production, mineral and other taxes, transportation and processing expense and operating expense.

Selected Financial Data ⁽¹⁾

(US\$ millions)	2017					2016				
	Year-to-date	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Canadian Operations										
Product Revenue ⁽²⁾	1,150	363	226	264	297	952	288	244	196	224
Production, mineral and other taxes	20	4	6	5	5	23	6	5	6	6
Transportation and processing	578	175	138	133	132	576	136	136	155	149
Operating ⁽³⁾	119	33	35	21	30	149	36	37	37	39
	433	151	47	105	130	204	110	66	(2)	30
USA Operations										
Product Revenue ⁽²⁾	1,849	524	420	464	441	1,491	417	397	382	295
Production, mineral and other taxes	92	28	21	19	24	76	20	15	24	17
Transportation and processing	164	23	31	51	59	260	46	43	73	98
Operating ⁽³⁾	325	78	81	82	84	388	98	92	86	112
	1,268	395	287	312	274	767	253	247	199	68
Total Operations										
Product Revenue ⁽²⁾	2,999	887	646	728	738	2,443	705	641	578	519
Production, mineral and other taxes	112	32	27	24	29	99	26	20	30	23
Transportation and processing	742	198	169	184	191	836	182	179	228	247
Operating ⁽³⁾	444	111	116	103	114	537	134	129	123	151
	1,701	546	334	417	404	971	363	313	197	98

⁽¹⁾ Segmented financial information per the notes to Encana's financial statements.

⁽²⁾ Excludes the impact of realized gains and losses on risk management.

⁽³⁾ Excludes other operating expenses with no associated production volumes.

Sales Volumes ⁽¹⁾

(BOE)	2017					2016				
	Year-to-date	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Canadian Operations	61,765,665	18,190,608	13,850,324	14,258,699	15,466,320	68,866,560	15,886,560	16,576,652	17,485,832	18,917,353
USA Operations	52,599,785	12,647,700	12,287,704	14,543,893	13,120,290	60,204,804	13,688,220	14,515,576	16,028,285	15,972,957
Total	114,365,450	30,838,308	26,138,028	28,802,592	28,586,610	129,071,364	29,574,780	31,092,228	33,514,117	34,890,310

⁽¹⁾ Numbers may not add due to the calculation of volumes, which is based on sales volumes per day on a BOE basis times the number of days in the period.

Calculated Operating Netback, excluding the Impact of Realized Gains (Losses) on Risk Management ⁽¹⁾

(US\$/BOE)	2017					2016				
	Year-to-date	Q4	Q3	Q2	Q1	Year	Q4	Q3	Q2	Q1
Total - Canadian Operations										
Price	18.62	19.96	16.32	18.52	19.20	13.82	18.13	14.72	11.21	11.84
Production, mineral and other taxes	0.32	0.22	0.43	0.35	0.32	0.33	0.38	0.30	0.34	0.32
Transportation and processing	9.36	9.62	9.96	9.33	8.53	8.36	8.56	8.20	8.86	7.88
Operating	1.93	1.81	2.53	1.47	1.94	2.16	2.27	2.23	2.12	2.06
Netback	7.01	8.30	3.39	7.36	8.41	2.96	6.92	3.98	(0.11)	1.59
Total - USA Operations										
Price	35.15	41.43	34.18	31.90	33.61	24.77	30.46	27.35	23.83	18.47
Production, mineral and other taxes	1.75	2.21	1.71	1.31	1.83	1.26	1.46	1.03	1.50	1.06
Transportation and processing	3.12	1.82	2.52	3.51	4.50	4.32	3.36	2.96	4.55	6.14
Operating	6.18	6.17	6.59	5.64	6.40	6.44	7.16	6.34	5.37	7.01
Netback	24.11	31.23	23.36	21.45	20.88	12.74	18.48	17.02	12.42	4.26
Total Operations										
Price	26.22	28.76	24.71	25.28	25.82	18.93	23.84	20.62	17.25	14.88
Production, mineral and other taxes	0.98	1.04	1.03	0.83	1.01	0.77	0.88	0.64	0.90	0.66
Transportation and processing	6.49	6.42	6.47	6.39	6.68	6.48	6.15	5.76	6.80	7.08
Operating	3.88	3.60	4.44	3.58	3.99	4.16	4.53	4.15	3.67	4.33
Netback	14.87	17.71	12.78	14.48	14.13	7.52	12.27	10.07	5.88	2.81

⁽¹⁾ May not add due to rounding. Encana calculates reported netbacks using whole dollars and sales volumes. Accordingly, the calculations above may differ from the reported netbacks due to the effects of rounding both dollars and volumes.